



Australian Government
**Department of Industry,
Innovation and Science**

**Anti-Dumping
Commission**

INVESTIGATION 473

**ALLEGED DUMPING OF AMMONIUM NITRATE
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA,
SWEDEN AND THE KINGDOM OF THAILAND**

VERIFICATION VISIT REPORT - AUSTRALIAN INDUSTRY

CSBP LIMITED

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF ANTI-DUMPING COMMISSION**

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1 BACKGROUND

On 25 June 2018, the Commissioner of the Anti-Dumping Commission initiated an investigation into the alleged dumping of ammonium nitrate exported to Australia from the People's Republic of China (China), Sweden and the Kingdom of Thailand (Thailand).

The investigation was initiated following an application lodged by CSBP Limited (CSBP), Orica Australia Pty Ltd (Orica) and Queensland Nitrates Pty Ltd (QNP) (collectively, the applicants) seeking the publication of a dumping duty notice in respect of ammonium nitrate exported to Australia from China, Sweden and Thailand.

Public notification of the initiation of the investigation was published on the Anti-Dumping Commission's (Commission's) website. The reasons for initiating this investigation are outlined in *Anti-Dumping Commission Consideration Report No. 473* and Anti-Dumping Notice (ADN) No. 2018/103.¹

¹ Refer [item no. 003](#) on the electronic public record (EPR) 473.

2 THE GOODS

2.1 The goods

The goods the subject of the application ("the goods", or the goods under consideration) are:

Ammonium nitrate, prilled, granular or in other solid form, with or without additives or coatings, in packages exceeding 10kg.

2.1.1 Further information

There are two types of ammonium nitrate which are imported into Australia from the countries the subject of the application - low density ammonium nitrate (LDAN) and high density ammonium nitrate (HDAN).

Both LDAN and HDAN imported into Australia from the countries the subject of the application are in solid, prilled form.

2.1.2 Tariff classification

Ammonium nitrate, whether or not in aqueous solution, is classified within tariff subheading 3102.30.00, statistical code 05, in Schedule 3 to the *Customs Tariff Act 1995*.

Customs duty does not apply to ammonium nitrate imported into Australia from any country; however, dumping duties (in the form of a floor price) currently apply to goods imported from the Russian Federation (Russia) and Estonia.

3 THE AUSTRALIAN INDUSTRY

3.1 Manufacturing in Australia

The Australian industry producing ammonium nitrate is comprised of CSBP, Orica, QNP, Dyno Nobel Asia Pacific Pty Ltd (Dyno Nobel) and Yara Pilbara Nitrates Pty Ltd (Yara Pilbara Nitrates).²

CSBP is the largest producer (in terms of volume produced) of ammonium nitrate in Australia.³

3.1.1 CSBP's manufacturing capability

CSBP manufactures ammonium nitrate at its production facility in Kwinana, Western Australia (WA). The Kwinana manufacturing site is comprised of the following production plants:

- an ammonia plant with nameplate production capacity of 225,000 tonnes per annum used internally as a raw material in the production of ammonium nitrate and fertilisers and sodium cyanide;
- three nitric acid plants;
- three ammonium nitrate solution plants with total nameplate production capacity of 695,000 tonnes of ammonium nitrate solution per annum;
- one ammonium nitrate prilling tower with nameplate production capacity of 350,000 tonnes of prilled ammonium nitrate per annum;
- two sodium cyanide plants; and
- fertiliser plants that produce fertilisers, including urea ammonium nitrate and other nitrogen-based fertilisers.

CSBP has also commissioned an ammonium nitrate emulsion plant in 2017. The first 'batch' of ammonium nitrate emulsion was manufactured and sold in late 2017.

At the verification visit, CSBP explained its production process for ammonium nitrate. CSBP also accommodated a tour of its Kwinana manufacturing site and its ammonium nitrate production plants. Based on this, the verification team is satisfied that at least one substantial process in the manufacture of ammonium nitrate (the production of ammonia) is carried out in Australia.

² Yara Pilbara Nitrates is a joint venture between Orica Limited and Yara International ASA.

³ During the investigation period (1 April 2017 to 31 March 2018).

3.2 Like goods

'Like goods', in relation to the goods under consideration, are defined under section 269T(1) of the *Customs Act 1901* as:

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

In the application,⁴ the applicants claimed that the imported goods possess similar characteristics to the locally produced goods. The following summarises the verification team's assessment of whether the locally produced goods are identical to, or closely resemble, the goods the subject of the application and are therefore like goods.

3.2.1 Physical likeness

In the application, the applicants claimed that the goods exported to Australia from China, Sweden and Thailand are physically similar and have similar characteristics to the ammonium nitrate produced by the Australian industry.

CSBP provided product specification sheets relevant to its locally produced ammonium nitrate. These specification sheets include a physical description of the product and identify various product characteristics including the bulk density, fuel oil retention (%) and moisture content (among other characteristics).

The verification team compared CSBP's product specifications with the product specifications of the imported goods (as identified in product specification sheets provided by the applicants in the application). Based on this comparison, the verification team considers that while there are slight differences in the technical specifications (such as purity, density etc.) between the ammonium nitrate exported from China, Sweden and Thailand and the ammonium nitrate produced by CSBP, the goods produced by CSBP have physical characteristics that closely resemble the imported goods.

3.2.2 Commercial likeness

In the application, the applicants claimed that the imported goods compete directly with the locally produced goods and are interchangeable in end-use applications.

The verification team reviewed CSBP's sales data and observes that CSBP sold ammonium nitrate to customers that also imported the goods. Based on this, the verification team is satisfied that CSBP produces like goods that are sold to the same customers and therefore compete directly with the imported goods.

⁴ Refer [item no. 001](#) on EPR 473.

3.2.3 Functional likeness

In the application, the applicants claimed that the imported goods and the locally produced goods perform the same function and are used in the same end-use applications.

The applicants claimed that there are two types of ammonium nitrate which are imported into Australia - LDAN and HDAN.

The applicants claimed that LDAN is often referred to as porous prilled ammonium nitrate (or technical grade or explosives grade ammonium nitrate), and is predominantly consumed by the mining, quarrying and construction industries. The applicants explained that LDAN is often used in the production of bulk explosives, including ANFO (ammonium nitrate fuel oil), heavy ANFO and emulsion based explosives. CSBP claimed that locally produced LDAN is substitutable with imported LDAN from the countries the subject of the application.

The applicants claimed that HDAN, which can be in a granular or prilled form, is generally used in the agriculture sector as a fertiliser; however, in Australia, HDAN is mainly used in the production of emulsion based-explosives. CSBP claimed that locally produced ammonium nitrate solution is directly substitutable with imported HDAN from the countries the subject of the application.

The verification team reviewed CSBP's sales data and observed that CSBP had sold both LDAN and ammonium nitrate solution to certain bulk explosives producers and blasting service providers, including bulk explosives producers that have imported both LDAN and HDAN.

Based on this, the verification team considers that CSBP produces goods that are functionally alike, in terms of having the same end-use application, to the imported goods.

3.2.4 Production likeness

In the application, the applicants claimed that the imported and locally produced goods are manufactured using similar production processes.

At the verification visit, CSBP explained its production process for ammonium nitrate including the chemical reaction process. The verification team considers that CSBP produces like goods using a substantially similar production process (i.e. a similar chemical reaction process) and using similar raw material inputs to the imported goods.

3.2.5 Like goods assessment

The verification team considers that, while the locally produced goods are not necessarily identical to the goods under consideration, the locally produced goods closely resemble the goods the subject of the application and are like goods given that:

- the primary physical characteristics of imported and locally produced goods are almost identical;
- the imported and locally produced goods are commercially alike as they are sold to the same customers and compete in the same market;

- the imported and locally produced goods are functionally alike as they have the same end-uses; and
- the imported and locally produced goods are manufactured in a similar manner.

3.3 Conclusion

The verification visit team is satisfied that:

- ammonium nitrate manufactured by CSBP are like goods to the goods under consideration;⁵
- at least one substantial process in the manufacture of ammonium nitrate is carried out by CSBP in Australia, and therefore, like goods were wholly or partly manufactured in Australia;⁶ and
- there is an Australian industry in respect of those like goods, consisting of CSBP.⁷

⁵ In accordance with section 269T(1).

⁶ In accordance with section 269T(2) and 269T(3).

⁷ In accordance with section 269T(4).

4 AUSTRALIAN MARKET

4.1 Background

The Australian market for ammonium nitrate is supplied by local production and imports from a number of countries.

In Australia, ammonium nitrate is primarily used as a raw material in the production of explosives consumed by the mining and quarrying industries. The applicants advised that ammonium nitrate has limited usage in Australia as a fertiliser, mainly due to the handling and security protocols required for its transport and storage relative to other nitrogenous products such as urea and urea ammonium nitrate.

Ammonium nitrate production facilities are located strategically close to the major explosives markets in New South Wales (NSW), Queensland and WA. In NSW, bulk explosives are used mainly in the coal mines of the Hunter Valley. The main markets for ammonium nitrate in Queensland are in the Bowen Basin and in the central Queensland/Mt Isa region. In WA, there are major markets for ammonium nitrate in the Kalgoorlie goldfields and in the Pilbara region.

In the Australian market, ammonium nitrate is predominantly sold and purchased in accordance with fixed-term contracts. These contracts, arranged following a tender process, are typically effective from 12 months to seven years and will normally specify a base price and provisions to adjust this base price periodically to take into account variations in raw material costs or prices and other cost variables.

4.2 Market structure

4.2.1 Sales and distribution

CSBP claimed that the majority of its sales of ammonium nitrate are made in accordance with long-term supply agreements, which specify a base price, the variables applied to this base price to derive a price at ex-works, and contracted maximum annual volumes coupled with a minimum annual purchase volumes ('take or pay').

CSBP further claimed that it either sold of ammonium nitrate directly to end users (mining principals and miners) or to explosives and associated services providers. CSBP stated that it does not provide associated blasting services to miners.

CSBP also sells ammonium nitrate to the fertilisers market, and internally transfers some of the ammonium nitrate solution it produces to the production of urea ammonium nitrate, which is sold as fertiliser.

The verification team found that during the investigation period, approximately 92 per cent (by volume) of CSBP's sales of ammonium nitrate were in accordance with fixed-term contracts. The remaining sales were made on a 'spot' basis and most of these sales were made to a customer in accordance with pricing that reflected the previously contracted price to this particular customer.

4.2.2 Demand for ammonium nitrate

CSBP explained that demand for ammonium nitrate (and its derivatives including bulk explosives) in WA is primarily driven by demand from mining companies that extract ores and commodities such as iron ore and various metals, including precious metals, from the earth. Therefore, the demand for ammonium nitrate in Australia is a derived demand, and there are no commercially significant substitutes for ammonium nitrate in Australia.

CSBP also explained that demand for ammonium nitrate is also driven by the agriculture sector, which utilises various fertilisers that are produced using ammonium nitrate, albeit the usage of ammonium nitrate for this purpose is limited in Australia and there are many other substitutes available to produce fertiliser.

CSBP claimed that there are minor seasonal variations in the demand for ammonium nitrate. In relation to the mining sector, demand for ammonium nitrate wanes between December and February and increases in July and August. In relation to the agriculture sector, demand for fertilisers (and therefore ammonium nitrate used in the production of fertiliser) is also cyclical (to a greater extent than demand from the mining sector) and dependent on the summer and winter cropping periods and is also dependent on climatic conditions (i.e. whether it is a relatively dry or wet season).

The verification team notes that the majority of CSBP's fixed-term contracts specify minimum and maximum purchase volumes (also referred to as take or pay). This is to ensure sufficient (and predictable) loading of its manufacturing plant.

4.2.3 Competition

CSBP asserted that ammonium nitrate is a commodity product and end users are unlikely to discern significant physical or functional differences between products. Given that there is hardly any product differentiation, price is a key consideration in any purchasing decision.

CSBP stated that it was the sole ammonium nitrate manufacturer in WA until 2017, when Yara Pilbara Nitrates commenced production in early 2017 in the Pilbara region.

CSBP claimed that it does not ordinarily compete with other ammonium nitrate manufacturers based in the eastern states of Australia, due to customers typically sourcing ammonium nitrate close to mine sites and the obvious geographical distance of the markets; however, the verification team notes that CSBP does sell ammonium nitrate to some customers in the eastern states of Australia.

CSBP stated that it is primarily a manufacturer of ammonium nitrate and other industrial chemicals and therefore it does not directly compete with other vertically integrated ammonium nitrate manufacturers and mining services providers, such as Orica. CSBP however noted that its customers do compete with other mining services providers that are active in the WA market. These other mining services providers import ammonium nitrate, including the allegedly dumped goods, therefore, these importers are provided a competitive advantage due to the ability to purchase ammonium nitrate at dumped prices, which allows these importers and services providers to be more competitive on price than otherwise would be the case.

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CSBP claimed that the market for ammonium nitrate is transparent, in that participants in the market have access to import data from the Australian Bureau of Statistics (ABS), which identifies the prices and import volumes of ammonium nitrate. CSBP claimed that the significantly lower prices of the goods imported from China, Sweden and Thailand have exerted pressure on CSBP's prices during contract negotiations undertaken in the investigation period and the following period. This is further discussed in section 8 of this report.

5 VERIFICATION OF SALES

5.1 Verification of sales data to audited financial statements

The verification team verified the completeness and relevance of CSBP's sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team did not find any issues with the verification of the sales listing to audited financial statements.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

5.2 Verification of sales data to source documents

The verification team verified the accuracy of CSBP's sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

The verification team found several minor issues with the verification of the sales listing to source documents, as listed below.

5.2.1 Exception 1

The verification team observed that sales prices of a particular model of the goods were slightly higher than that of other similar sales. It was explained by CSBP that these sales were slightly more expensive because of included delivery expenses, which only applied to a particular customer. The verification team requested that these sales be presented with a separate listing for delivery, in order for all sales to be considered on an ex-works basis.

The updated sales listing is at **Confidential Attachment 2**.

5.2.2 Exception 2

Prior to the verification visit, CSBP provided the Commission with a revised Australian sales listing. This version, however, excluded a description of the goods sold. The verification team requested an updated Australian sales listing that included the product description, and CSBP provided an updated version which included a description of the product sold.

The updated sales listing is at **Confidential Attachment 2**.

5.2.3 Exception 3

The verification team requested that CSBP update its Australian sales listing to include an additional column to show the 100 per cent ammonium nitrate equivalent volumes⁸ for ammonium nitrate solution and emulsion (of various concentrations).

The updated sales listing is at **Confidential Attachment 2**.

5.3 Related party customers

The verification team found that CSBP internally 'transferred' ammonium nitrate solution (for the purpose of producing fertiliser) to a related entity during the investigation period and preceding periods. CSBP does not invoice these internal transfers and therefore these transactions are not recorded in CSBP's Appendix A4. Nevertheless, CSBP has separately identified these transfers in Appendix A2 ('Aust market') and Appendix A5 ('other production'). Using this information, the verification team found that these internal transfers were at a transfer price that was significantly lower than the price paid for ammonium nitrate solution by other unrelated entities.

CSBP provided additional information in relation to the determination of this transfer price. The verification reviewed this information and considers that the internal transfers of ammonium nitrate solution are not at arms length. Therefore, the verification team considers that these related party transactions are unsuitable and inappropriate for assessing injury indicators associated with price effects (including profit)⁹ nor are these transactions suitable for the purpose of establishing an unsuppressed selling price.

5.4 Imports by CSBP

The verification team found that CSBP did not import any ammonium nitrate during the investigation period.

5.5 Export sales

The verification team found that CSBP did not export any ammonium nitrate during the investigation period.

5.6 Sales – conclusion

The verification team considers that CSBP's updated sales data in Appendix A4 (**Confidential Attachment 2**) is a reasonably complete, relevant and accurate reflection of the sales of ammonium nitrate during the period from 1 April 2017 to 31 March 2018.

⁸ The ammonium nitrate solution and emulsion is sold at various concentrations, therefore, the volumes are converted to 100 per cent equivalent ammonium nitrate volumes (%wt/wt).

⁹ Refer [pages 17 and 18](#) of the Dumping and Subsidy Manual (November 2018).

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Accordingly, the verification team considers CSBP's sales data is suitable for analysing the economic performance of its ammonium nitrate operations from 1 April 2014 to 31 March 2018.

6 VERIFICATION OF COST TO MAKE AND SELL

6.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of CSBP's cost data by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team did not find any issues with the verification of the costs data to audited financial statements, however, the verification team found one issue relating to CSBP's recording of the ammonia costs in the cost of production for ammonium nitrate.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

6.1.1 Exception 1

CSBP transfers its manufactured ammonia to the production of ammonium nitrate at a price equivalent to that paid by CSBP's external ammonia customers. CSBP imports the balance of its ammonia requirements for its ammonium nitrate business, and these imports are costed at the full import cost.

The verification team observed that CSBP's actual ammonia production costs were lower than the transfer price for ammonia and these two variables did not follow a similar trend over the period 2014-15 to 2017-18. While the verification team acknowledges that CSBP treats its ammonia plant as a separate business, the Commission's preferred approach in relation to integrated production processes is to have regard to an entity's actual costs of production. Therefore, the verification team has substituted CSBP's ammonia transfer price with CSBP's actual costs to produce ammonia and updated CSBP's CTMS data relevant to ammonium nitrate production.

The updated CTMS data is used for the analysis undertaken in section 7 of this report and is reflected in **Confidential Attachment 3**.

6.2 Verification of costs to source documents

The verification team verified the accuracy of CSBP's cost data by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team did not find any issues with the verification of the costs data to source documents.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

6.3 Related party suppliers

The verification team found no evidence that CSBP was or is related to any of its raw material suppliers.

6.4 Costs to make and sell – conclusion

The verification team considers that CSBP's cost to make and sell data, as recorded Appendix A6 and as amended by the verification team to take into account CSBP's actual ammonia costs, is a reasonably complete, relevant and accurate reflection of the actual costs to manufacture and sell ammonium nitrate during the period from 1 April 2014 to 31 March 2018.

Accordingly, the verification team considers CSBP's cost to make and sell data in Appendix A6 suitable for analysing the economic performance of its ammonium nitrate operations from 1 April 2014 to 31 March 2018.

7 ECONOMIC CONDITION

7.1 Approach to injury analysis

The verification team understands that the majority of CSBP's sales of ammonium nitrate in the Australian market are made in accordance with fixed-term contracts that are typically effective for a number of years.

The verification team is aware that once the price and volume is contracted, apart from the price variation clauses in the contract which account for movements in costs, the base prices and margins are effectively 'locked-in' for the term of the contract. Therefore, the analysis in this section is based on CSBP's production and sales data provided for the period 1 April 2014 to 31 March 2018, which mostly reflects the terms of contracts that were entered into before the investigation period and before the volumes of the goods exported to Australia from China, Sweden and Thailand increased significantly.

To establish a causal link between injury to the Australian industry and the allegedly dumped goods, the verification team will assess the information provided by CSBP to support its claims that prices (and the increasing availability) of the goods imported from the subject countries during the investigation period have impacted contract prices that were negotiated. This injury may be either through price pressure as a result of the allegedly dumped goods (price depression) or through loss of contract (loss of sales volumes). This is further discussed in section 8 of this report.

For completeness, this section of the report outlines the assessment of the performance of CSBP's ammonium nitrate operations from 1 April 2014 to 31 March 2018 and some of the factors that have affected performance during this period.

7.2 Applicants' injury claims

In the application lodged on 29 March 2018, the applicants claimed that the Australian industry has experienced injury in the form of:

- a decline in production;
- reduced sales volumes;
- reduced revenues;
- price depression;
- price suppression;
- reduced profit and profitability;
- reduced return on investment;
- lower capacity utilisation; and
- reduction in employment numbers.

The applicants also claim that the Australian industry has experienced injury in the form of reduced market share and reduced growth in an expanding market.

The applicants allege that injury from the dumped goods exported from China, Sweden and Thailand commenced in 2016; however, it is claimed that in 2017 the 'injury increased' and is considered by the applicants to be material.

7.2.1 Approach to injury analysis

The analysis detailed in this section of the report is based on verified information and data provided by CSBP in support of the application, including CSBP’s verified production, costs, sales and other financial data.

An assessment of market share will be made following analysis of data gathered at visits to importers and data provided by the other Australian industry applicants.

For the purposes of conducting the injury analysis in this report, the verification team has analysed CSBP’s data from 1 April 2014 to 31 March 2018. The verification team’s assessment of the Australian industry’s injury claims, as they pertain to CSBP, are at **Confidential Attachment 3**.

7.3 Volume trends

The applicants claim that the Australian industry has experienced injury in the form of reduced production and sales volumes.

The following sections of the report summarise the claimed injury indicators, in terms of volume effects, and include the verification team’s assessment in relation to injury experienced by CSBP.

7.3.1 Production volumes

Table 1 shows the variation in CSBP’s ammonium nitrate production volume from 2014-15 to 2017-18.

	1 April 2014 - 31 March 2015	1 April 2015 - 31 March 2016	1 April 2016 - 31 March 2017	1 April 2017 - 31 March 2018
Production volume	100.0	115.2	123.4	113.9

Table 1: Index of CSBP’s production variations

The verification team observes that CSBP’s production volumes increased between 2014-15 and 2016-17, and decreased in 2017-18 (the investigation period).

The verification team requested information relating to CSBP’s planned and unplanned production plant shutdowns during the investigation period and the preceding period. The verification team observes that, during the investigation period, there were a significant number of days that CSBP’s ammonium nitrate production plants were shut down and therefore the production of ammonium nitrate was affected. The verification team notes that during the investigation period, the number of days that production was affected was nearly three times as many as during the preceding period.

CSBP explained that production was affected during the investigation period due to the following reasons:

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- there was a major planned shutdown that affected the production of ammonium nitrate during the first half of the 2017-18 financial year;¹⁰ and
- there were unplanned shutdowns undertaken during some months to effectively manage stock which had increased as a result of the expiration of a significant contract in the June 2017 quarter.

The verification team considers that the decrease in production volume observed during the investigation period is due to these planned and unplanned production plant shutdowns.

This analysis is at **Confidential Attachment 4**.

7.3.2 Sales volumes

In the application, indices relating to sales volumes were presented separately for each applicant. These indices showed that CSBP had experienced a decline in its sales volumes in 2017 relative to 2016.

The applicants further claimed in the application that:

With reduced export prices in 2017, imports from China, Sweden and Thailand have undercut the Australian industry's selling prices to secure increased sales volumes across the Australian market. The impact of the dumping has caused the Applicants to lose sales volumes (down by 2.6 per cent)...¹¹

Table 2 shows the variation in CSBP's domestic sales volumes of ammonium nitrate during the period 2014-15 to 2017-18.

CSBP's domestic sales volumes are shown separately for prilled ammonium nitrate, ammonium nitrate solution sold to unrelated customers, and ammonium nitrate solution transferred internally to CSBP's fertiliser's division. The verification team also notes that CSBP had also sold ammonium nitrate emulsion, however, sales only commenced in the December quarter of 2017. For the purpose of analysing CSBP's sales volumes from 2014-15 to 2017-18, emulsion sales volumes are not shown separately (as no sales were made by CSBP prior to the investigation period), however, emulsion volumes are included in the total ammonium nitrate equivalent volumes.

	1 April 2014 - 31 March 2015	1 April 2015 - 31 March 2016	1 April 2016 - 31 March 2017	1 April 2017 - 31 March 2018
Prill	100.0	118.7	123.7	117.3
Ansol (external sales)	100.0	109.0	152.8	138.4
Ansol (internal transfers)	100.0	108.2	126.5	79.0
Total	100.0	115.8	127.7	116.3

Table 2: Index of CSBP's domestic sales variations

¹⁰ It is also noted in Wesfarmers' half-year report to 31 December 2017 (page 17 refers) that "... volumes produced were lower than the prior corresponding period due to a planned shutdown of one of the AN plants during the half."

¹¹ Page 22 of the application refers.

The verification team observes that CSBP's total sales volume (all products) increased between 2014-15 to 2016-17; however, sales volumes decreased in the investigation period.

The verification team observes that the overall decrease in CSBP's total sales volumes is mostly driven by a significant decrease in its internal transfers of ammonium nitrate solution to its fertilisers division. Further, the verification team observes that CSBP's sales of prilled ammonium nitrate decreased in the investigation period relative to the preceding period.

The verification team queried CSBP about these observed trends. CSBP explained that, during the investigation period, sales volumes decreased for the following reasons:

- a key offtake supply contract had expired at the end of the June 2017 quarter¹², and the consequent reduction in sales volumes following this quarter was only partially offset by opportunistic (spot) sales of ammonium nitrate; and
- lower nitrogen-based fertiliser sales during the investigation period have led to lower transfers of ammonium nitrate solution to the production of this fertiliser.

This analysis is at **Confidential Attachment 4**.

7.3.3 Conclusion – volume trends

Based on the analysis in the preceding sections, the verification team considers that CSBP has experienced injury in the forms of a decline in production and reduced sales volumes in 2017-18 due to the following factors:

- a key offtake supply contract had expired at the end of the June 2017 quarter, and the consequent reduction in sales volumes following this quarter was only partially offset by opportunistic (spot) sales of ammonium nitrate;
- lower nitrogen-based fertiliser sales during the investigation period have led to lower transfers of ammonium nitrate solution to the production of this fertiliser; and
- there was a major planned plant shutdown, including a number of planned and unplanned shutdowns, that affected ammonium nitrate production.

The analysis underpinning these conclusions is at **Confidential Attachment 4**.

7.4 Price trends

In the application, the applicants claimed that the Australian industry has experienced injury in the form of price depression and suppression.

Price depression occurs when a company, for some reason, lowers its prices.

Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

¹² This was also noted in Wesfarmers' half-year report to 31 December 2017 (refer page 17 of the report).

The following sections of the report summarise the claimed injury indicators (in terms of price effects) and include the verification team’s assessment in relation to CSBP.

7.4.1 Price depression and price suppression

The applicants claim that the Australian industry has experienced a reduction in selling prices commencing in, which were allegedly undercut by increasing import volumes from China, Sweden and Thailand.

The applicants further claim that:

The impact of the dumped export prices at levels that have undercut the Applicants’ selling prices during 2017 has resulted in injury in the form of price suppression. The Applicants’ CTM&S has increased in 2017, whereas selling prices have remained flat. The local industry has been unable to raise its selling prices to recover cost increases that have occurred as a consequence of reduced production volumes and increasing raw material costs.¹³

Table 3 shows the variations in CSBP’s weighted average cost to make and sell (CTMS) and weighted average domestic prices during the period 2014-15 to 2017-18.

	1 April 2014 - 31 March 2015	1 April 2015 - 31 March 2016	1 April 2016 - 31 March 2017	1 April 2017 - 31 March 2018
CTMS	100.0	100.5	84.8	87.6
Price	100.0	106.9	97.7	102.4

Table 3: Index of CSBP’s cost and price variations¹⁴

The verification team observes that the variations in CSBP’s price followed a similar trend to the variations in its CTMS over the period 2014-15 to 2017-18, and the margin between the price and CTMS remained relatively steady albeit it has increased slightly from 2014-15 onwards.

The verification team notes that CSBP’s weighted cost to make has been decreasing since 2014-15, mostly due to lower imported ammonia costs and lower natural gas costs in WA. The verification team also notes that CSBP’s weighted average CTMS increased during the investigation period because non-recurring / one-off expenses were allocated to selling and general administration (SG&A) expenses incurred during this period. By excluding these non-recurring expenses from the SG&A expenses and therefore the weighted average CTMS, the verification team observes that the increase in CSBP’s CTMS in the investigation period would equate to less than 1 per cent relative to the prior period.

The verification team observes that CSBP’s weighted average price decreased in 2016-17, and increased in 2017-18. CSBP indicated that the reason prices increased in

¹³ Page 26 of the application refers.

¹⁴ Excludes internal transfers of ammonium nitrate solution.

the investigation period is because of an increase in the volume of opportunistic sales made at favourable prices.

The verification team has found that the majority¹⁵ of CSBP's sales made during the investigation period were in accordance with fixed-term contracts that were negotiated many years prior the investigation period. The verification team notes that these contracted prices are adjusted on a quarterly basis (in accordance with formulas stipulated in these supply agreements) to adjust for movements in raw material and other costs.

One of the main factors and variables taken into consideration in adjusting the contracted prices is the price of ammonia. CSBP advised that it obtains this information from Fertecon.¹⁶ The verification team requested CSBP provide data relating to ammonia prices which it uses to adjust its contracted prices. This information is at **Confidential Attachment 5**. The verification team observes that the overall trend in the ammonia prices from 2014-15 to 2017-18 broadly reflects the trend observed in CSBP's prices over the same period.

The verification team found no evidence that the price reviews or adjustments, as prescribed in the supply agreements, take into consideration import prices or other market prices.

7.4.2 Conclusion – price trends

Based on the analysis in the preceding sections, the verification team does not consider that CSBP has experienced injury in the form of price depression and price suppression over the period 2014-15 to 2017-18.

At the verification visit, and following the verification visit, CSBP has provided information pertaining to negotiations with certain customers undertaken during the investigation period and subsequent to the investigation period, which outlines instances where CSBP had to reduce its prices to match its customers' next best alternative supply options and where it matched a price determined at import parity to maintain or secure contracts for future supply. This is further discussed in section 8 of this report.

7.5 Profit and profitability trends

In the application, the applicants claimed that the Australian industry has experienced injury in the form of loss of profits and reduced profitability.

¹⁵ Sales in accordance with fixed-term supply agreements comprised approximately 92 per cent of CSBP's total sales (by volume) during the investigation period. The remaining sales were made on a 'spot' basis and these sales were mostly made to one customer.

¹⁶ Fertecon provides independent market information relevant to the global fertiliser industry and markets. Fertecon can be accessed at www.fertecon.com.

The applicants allege that profit declined in 2016, and because the Australian industry experienced reductions in selling prices and was unable to ‘adjust selling prices to reflect increases in production costs’, profit and profitability also decreased in 2017.

Table 4 shows the variations in CSBP’s domestic profit and profitability¹⁷ during the period 2014-15 to 2017-18.

	1 April 2014 - 31 March 2015	1 April 2015 - 31 March 2016	1 April 2016 - 31 March 2017	1 April 2017 - 31 March 2018
Profit	100.0	147.6	173.7	174.9
Profitability	100.0	117.8	139.0	141.9

Table 4: Index of variations in CSBP’s profit and profitability

The verification team observes that CSBP’s profit and profitability have increased from 2014-15 to 2017-18, albeit profit and profitability have increased only slightly in the investigation period.

7.5.1 Conclusion – profit trends

Based on the analysis in the preceding sections, the verification team does not consider that CSBP has experienced injury in the form of reduced profit and profitability over the period 2014-15 to 2017-18.

7.6 Other economic factors

In the application, the applicants claimed that the Australian industry has also experienced injury in the form of reduced revenues, a reduction in the return on investment (ROI), lower capacity utilisation and a reduction in employment in 2017.

7.6.1 Revenue

In the application, the applicants claimed that the Australian industry has experienced injury in the form of reduced revenues in 2017. Specifically, CSBP has claimed that it has experienced a decline in its sales revenues in 2017.

Table 5 shows the variations in CSBP’s domestic sales revenue during the period 2014-15 to 2017-18.

	1 April 2014 – 31 March 2015	1 April 2015 – 31 March 2016	1 April 2016 – 31 March 2017	1 April 2017 – 31 March 2018
Revenue	100	125.3	125.0	123.3

Table 5: Index of variations in CSBP’s domestic sales revenue

The verification team observes that CSBP’s domestic sales revenue has steadily declined since 2015-16. The verification team considers that this reduction in sales revenue is due to the following reasons:

¹⁷ Profitability measured as net profit as a percentage of total sales revenue.

- the slight reduction in sales revenue observed in 2016-17 is due to a significant decrease in price observed during this period relative to the previous period (refer table 3 in section 7.2.1 of this report). A significant increase in sales volumes in 2016-17 muted this significant price decrease and therefore only a slight reduction in sales revenue in this period is evident; and
- the reduction in sales revenue observed in 2017-18 is due to a decrease in CSBP's sales volumes (refer table 2 in section 7.2.2 of this report) during this period.

7.6.2 Return on investment

In the application, the applicants claimed that the Australian industry has experienced injury in the form of reduced ROI in 2017, which can be attributed to the decline in the Australian industry's selling prices and revenues.

The verification team observes that in Appendix A7, CSBP has recorded its return on investment in relation to the production of like goods. The verification team observes that CSBP's ROI increased over the period 2014-15 to 2017-18, mostly as a result of an increase in CSBP's profit over this period. The verification team observes that CSBP's ROI for the production of like goods increased in the investigation period.

7.6.3 Production capacity utilisation

In the application, the applicants claimed that the Australian industry has experienced injury in the form of reduced production capacity utilisation as a result of a reduction in production volumes in 2017.

The verification team observes that in Appendix A7, CSBP has recorded its production capacity utilisation rates in relation to the production of like goods. The verification team observes that CSBP's capacity utilisation increased from 2014-15, and decreased in the investigation period, consistent with lower production and sales volumes during this period.

7.6.4 Employment numbers

In the application, the applicants claimed that the Australian industry has experienced injury in the form of reductions in employment numbers in 2017.

The verification team observes that in Appendix A7, CSBP has reported the number of direct employees employed in manufacturing and in other supporting roles.

The verification team observes that the number of employees has remained relatively constant over the period 2014-15 to 2017-18, and has increased slightly in 2017-18.

7.6.5 Other factors

The verification team has also reviewed a range of other economic factors relevant to CSBP that were not claimed by the applicants, as follows:

- **assets** – the value of assets used in the production of like goods has increased in the investigation period;

- **capital investment** – capital investment in relation to the production of like goods has steadily decreased since 2015-16;
- **research and development (R&D) expenditure** – CSBP has not recorded investment in R&D in Appendix A7 therefore the verification team cannot make any conclusions;
- **wages** – average wages per employee have increased in 2017-18;
- **productivity** – productivity (measured as tonnes produced per employee) has decreased in the investigation period due to increasing employee numbers and decreasing production volumes.

7.6.6 Conclusion – other economic factors

The verification team has considered the other injury indicators outlined above, and based on an assessment of CSBP's verified information provided at Appendix A7, the verification team considers that CSBP has experienced injury in the form of reduced sales revenues in 2016-17 and 2017-18 and lower capacity utilisation in 2017-18.

The verification team does not consider that CSBP has experience injury in the form of:

- a reduction in ROI; and
- a reduction in employment numbers.

The verification team however does consider that CSBP experienced injury in the form of lower production capacity utilisation in the investigation period.

7.7 Conclusion

Based on an analysis of the information provided by CSBP in the application and verified during the verification visit, the verification team considers that CSBP has experienced injury during the investigation period in the form of:

- reduced sales and production volumes;
- reduced sales revenues;
- lower capacity utilisation;
- decrease in capital investment; and
- decrease in productivity.

8 CAUSATION

Noting that the majority of CSBP's sales during the investigation period were made in accordance with existing supply agreements that were negotiated many years before the investigation period, and before the import volumes of the allegedly dumped goods increased significantly, the verification team requested that CSBP provide additional information to demonstrate that the goods imported from China, Sweden and Thailand have caused or are causing material injury to the Australian industry.

At the visit, CSBP presented the verification team with additional information to demonstrate that it considers and responds to lower priced imports (in particular, the imports from China, Sweden and Thailand) in order to remain price competitive and maintain or secure contracts. This information was subsequently provided by CSBP in a written submission dated 17 September 2018.¹⁸

Following this submission, the Commission had requested additional information from CSBP in relation to some of the claims made in this submission; therefore, the assessment outlined in the following sections takes into consideration this additional information provided by CSBP.

8.1 Price effects

CSBP claimed that the allegedly dumped goods imported during the investigation period from the countries the subject to the application have influenced negotiations with customers and have resulted in depressed prices on contracted supply volumes negotiated.

At the verification visit, CSBP identified the factors it takes into consideration in determining its price offers to customers, and the approach customers take during negotiations, and demonstrated that it took into consideration the prices of the allegedly dumped goods to ensure that its price offers were competitive. This explanation is consistent with that outlined in CSBP's submission dated 17 September 2018.

CSBP also presented four examples outlining specific instances of negotiations with certain customers during the investigation period, some of which continued into the subsequent period. The verification team found that the examples pertaining to contract negotiations comprise approximately 16 per cent of CSBP's total sales volumes of ammonium nitrate during the investigation period.

A summary of CSBP's claims, and the verification team's assessment of these claims, is outlined in the following section.

¹⁸ Refer [item no. 016](#) on ERP 473.

8.1.1 Supply negotiations

Example 1

CSBP outlined an instance of negotiations undertaken with a particular customer in relation to the potential supply of additional volumes of ammonium nitrate to this customer commencing in late 2018. Negotiations with this customer commenced during the investigation period and continued into the subsequent period.

CSBP indicated that it has a current contract with this particular customer that was effective during the investigation period. This existing contract was negotiated before the investigation period.

CSBP indicated that this customer already imported the goods from one of the countries the subject of the application and therefore did not have any issues sourcing its ammonium nitrate through an import supply chain. Given this, CSBP's price offer to this customer was determined by having regard to the alternative supply option available to this customer (particularly given that this customer allegedly imports the goods from one of the subject countries) and also prices¹⁹ of ammonium nitrate imported into WA (mostly from China and Thailand) for the 12 months ending December 2017.

The verification team observed that the offer that was ultimately accepted closely matches CSBP's derived IPP for this customer.

CSBP quantified the absolute price reduction (on a per tonne basis) relative to the prevailing contracted price contracted to this customer during the investigation period which is unaffected by the alleged dumping. In quantifying the price reduction, CSBP had regard to the same quarter for comparison purposes. The final negotiated price is significantly lower than the contracted price to this customer during the investigation period.

CSBP also quantified the impact in terms of revenue forgone, which was based on the assumption that the sales volumes to this particular customer in the future, once the agreement commences, would be similar to the offtake volumes to this customer during the investigation period. However, the verification team amended this calculation to only take into consideration the additional volumes (above those already contracted) that CSBP has bid for. This resulted in a lower estimate of revenue forgone.

As at the date of the publication of this report, a contract with this customer has not been finalised; however, CSBP indicated that this customer had accepted CSBP's price offer and a draft contract has been prepared. CSBP claimed that, had it not matched a price at import parity, it would have lost the opportunity to supply additional volume in accordance with this contract.

Information provided by CSBP in relation to this negotiation is at **Confidential Attachment 6**. The verification team's analysis is at **Confidential Attachment 7**.

¹⁹ Including relevant importation costs to derive an IPP.

Example 2

CSBP claimed that during the investigation period, it supplied ammonium nitrate to a particular customer at a specific site in WA in accordance with an import parity supply arrangement at the insistence of the customer.

CSBP claimed that, during the investigation period, it matched a price determined at import parity, which represented the customer's "next best" alternative supply option. CSBP provided documentation which demonstrated that the customer requested that CSBP match an import parity price (IPP) during a particular period which encompassed the investigation period.

The verification team observes that the price that CSBP was requested to match was based upon a Free on Board (FOB) price of ammonium nitrate exported from one of the countries the subject of the investigation, plus relevant shipping, importation and other costs to derive an ex-works equivalent price that CSBP matched.

The verification team verified that the IPP that CSBP matched during the investigation period reconciled to CSBP's sales data at Appendix A4. Therefore, 'but for' the alleged dumping of the goods from this particular country, CSBP's price might have been higher during the investigating period.

CSBP quantified the impact of meeting this allegedly dumped price from this particular country by having regard to its contracted sales (in accordance with a supply agreement negotiated many years before the investigation period and before the volumes of the goods imported from China, Sweden and Thailand increased substantially) to this customer for all other sites during the investigating period. CSBP compared the price it matched at import parity against its contracted price (unaffected by dumped prices) to this particular customer. The price CSBP matched was significantly lower than the price in accordance with the contracted price to this customer. CSBP also quantified the impact of matching this dumped price in the form of revenue forgone during the investigation period.

CSBP further claimed that this import parity supply arrangement was also taken into consideration in negotiating a multi-year supply contract relevant to this customer's same site. These negotiations, which occurred during the investigation period, 'locked in' supply at a price determined at IPP, which was identical to the import parity supply arrangement outlined above. CSBP advised that this contract had been finalised and supply has already commenced in accordance with this agreement.

Information provided by CSBP in relation to this import parity supply arrangement is at **Confidential Attachment 6**. The verification team's analysis is at **Confidential Attachment 7**.

Example 3

CSBP claimed that, just prior to December 2017, it commenced re-negotiating an existing supply agreement with an customer for supply to South West WA. This existing supply agreement was negotiated many years before the investigation period.

CSBP alleged that, as a result of these negotiations, the existing agreement with this customer was amended, and the price was reviewed in line with import parity pricing (i.e. the comparative cost of imports into WA at an ex-works equivalent price), particularly from one of the countries the subject of the application. CSBP alleges that the customer has long-standing relationships with suppliers from this particular country. The verification team notes that this pricing mechanism outlined related to a particular account relevant to this customer, however, CSBP explained that this exact mechanism was referred to by this particular customer when deriving a price at import parity that CSBP was required to match.

CSBP had quantified the absolute price reduction (on a per tonne basis) relative to the prevailing contracted price to this customer during the investigation period which was not affected by the alleged dumping; however, the verification team observed that this price did not reconcile to the actual weighted average price to this customer during the investigation period, which the verification team derived using CSBP's verified sales data. Therefore, the verification team recalculated the absolute price reduction by having regard to the actual weighted average price achieved by CSBP in relation to sales made to this customer during the investigation period. Based on this, the verification team has found that the final price offered is significantly lower than the contracted price to this customer during the investigation period.

CSBP had also quantified the impact in terms of revenue forgone, which was based on the assumption that the sales volumes to this particular customer in the future, once the agreement commences, would be similar to the offtake volumes to this customer during the investigation period.

Following the verification visit, CSBP advised that a contract had been finalised with supply to commence at a date specified in this re-negotiated agreement.

Information provided by CSBP in relation to negotiations with this customer is at **Confidential Attachment 6**. The verification team's analysis is at **Confidential Attachment 7**.

Example 4

CSBP outlined an instance where negotiations with a particular customer commenced in October 2017. CSBP claimed that its price offer to this customer was based upon the understanding that this customer's alternative supply option is imported ammonium nitrate; therefore, the price CSBP offered matched pricing at import parity to ensure that its price offer was competitive.

CSBP stated that it currently supplies ammonium nitrate to this particular customer in accordance with an existing supply agreement.

CSBP quantified the impact of matching IPP by having regard to its contracted sales (in accordance with a supply agreement negotiated many years before the investigation period and before the volumes of the goods imported from China, Sweden and Thailand increased substantially) to this customer during the investigating period. CSBP compared the price it matched at import parity against its contracted price (unaffected by dumped prices) to this particular customer. The verification team made slight adjustments to this

calculation to ensure that the price CSBP offered was comparable to the actual price realised by CSBP in the same period for this particular customer.

The verification team found that the price CSBP offered was significantly lower than the actual price realised on sales made to this customer in accordance with the existing supply agreement. CSBP also quantified the impact of matching this dumped price in the form of revenue forgone. The verification team amended these calculations to reflect the expected annual volumes (not maximum offtake) that CSBP bid for.

As at the date of the publication of this report, the offer has lapsed however the negotiations with this customer are ongoing. CSBP advised that it no longer expects this to be for full supply to this customer.

Information provided by CSBP in relation to negotiations with this customer is at **Confidential Attachment 6**. The verification team's analysis is at **Confidential Attachment 7**.

8.1.2 CSBP's price offers and IPP

The verification team observes that CSBP excluded imports from Indonesia in its consideration of IPP and in determining its price offers to customers (discussed at section 8.1.1 of this report). CSBP explained that the imports from Indonesia are imported by the Australian industry and are not available to other importers and therefore these imports do not represent an alternative supply option in the market.

The verification team observes that, once the import volumes from Indonesia are excluded, the IPP mostly reflects import prices from China and Thailand, which comprise approximately 81 per cent of the total import volume (other than import volumes from Indonesia) into WA.

CSBP provided data relevant to all its offers made during the period November 2016 to July 2018 (which encompasses the investigation period) to support its claim that it matches IPP.

CSBP demonstrated how these price offers compare to the 12-month rolling weighted average CIF import prices for all imports into Australia, excluding imports from Indonesia and import consignments less than 1,000 tonnes. CSBP claimed that, while IPP informs the price offered, in any commercial negotiation, there are other factors that influence the final negotiated price. Therefore, pricing may be close to IPP, but may not exactly match IPP.

The verification team observes that most price offers closely match import prices. For offers that do not match import prices, relevant adjustments have to be made for delivery terms to ensure a fair comparison.

Details of CSBP's price offers, and the comparison of those price offers to import prices, is at **Confidential Attachment 8**.

8.1.3 Conclusion – price effects

The verification team considers that CSBP has provided sufficient information and evidence to conclude that during the investigation period, CSBP had to reduce its prices in response to customers' alternative import supply options, or matched prices determined at IPP, in order to ensure price competitiveness and to maintain supply contracts and the sales volumes in accordance with these contracts.

The verification team notes that CSBP has determined that, relative to the actual prices achieved by CSBP on sales made during the investigation period to the same customers referred to in the examples (where prices were unaffected by the dumped goods because the supply and prices are in accordance with contracts negotiated many years prior to the investigation period), the prices achieved following negotiations with these customers were significantly lower than prices realised during the investigation period for the same customer.

8.2 Volume effects

While the verification team has found that CSBP has experienced injury in the form of reduced sales volumes, reduced production volumes and reduced capacity utilisation (refer section 7 of this report) during the investigation period, the verification team considers that this injury was experienced as a result of factors other than the exportation of the goods from the countries the subject of the application. Specifically, the verification team does not consider that CSBP had lost sales volumes (and experienced reduced production volumes and reduced capacity utilisation as a result) to the dumped goods during the investigation period.

CSBP has claimed that if it had not matched IPP, which was significantly influenced by import volumes from the countries the subject of the application, it would have lost supply contracts, and consequently sales volumes in accordance with these contracts. This would also have led to lower production volumes and lower production capacity utilisation.

CSBP indicated that in any given year, existing supply agreements with customers are reviewed prior to expiry and that CSBP is usually offered the opportunity to renew or extend the contract. CSBP identified the proportion of its production capacity that will be re-negotiated or re-tendered in the next 24 months.

CSBP claimed, that given the increased import volumes of the allegedly dumped goods into WA, these goods have prominently featured during negotiations with its customers during the investigation period and subsequent to the investigation period, and will likely continue to prominently feature in any future negotiations with customers. CSBP therefore alleges that the dumped goods are threatening material injury to the Australian industry.

8.3 Profit effects

While the verification team has found that CSBP had not experience injury in the form of reduced profit and profitability in the investigation period, the verification team considers that the depressed pricing achieved as a result of contract negotiations (referred to in section 8.1.1 of this report) conducted during the investigation period and subsequent to

the investigation period will result in lower profit and profitability (all other variables being held constant) for the duration of the new contracts negotiated with customers.

8.4 Factors other than dumping

8.4.1 Competition among Australian manufacturers and increased capacity in WA

CSBP indicated that it does not ordinarily compete with other ammonium nitrate manufacturers located in the eastern states of Australia, given that customers typically source ammonium nitrate close to the mine site. The verification team however observes that during the investigation period, CSBP did supply some customers in the eastern states of Australia.

The verification team noted that Dyno Nobel (supplied by CSBP) lost two major contracts for supply in the Pilbara region to another Australian ammonium nitrate manufacturer in late 2017; however, the examples of contract negotiations provided by CSBP (discussed at section 8.1.1 of this report) in support of its injury and causation claims pertain to supply to a particular region in WA. This region is not supplied by the Burrup plant (Yara Pilbara Nitrates) in the Pilbara region nor any other ammonium nitrate manufacturer based in the eastern states of Australia.

8.4.2 Imports from other countries

Given that CSBP outlined examples where it had matched IPP during contract negotiations, the verification team reviewed import values and volumes into WA.

Figure 1 shows the import volume of ammonium nitrate into WA from 2014-15 to 2017-18. The verification team observes that imports from China and Thailand into the WA market increased steadily since 2014-15 to 2017-18.

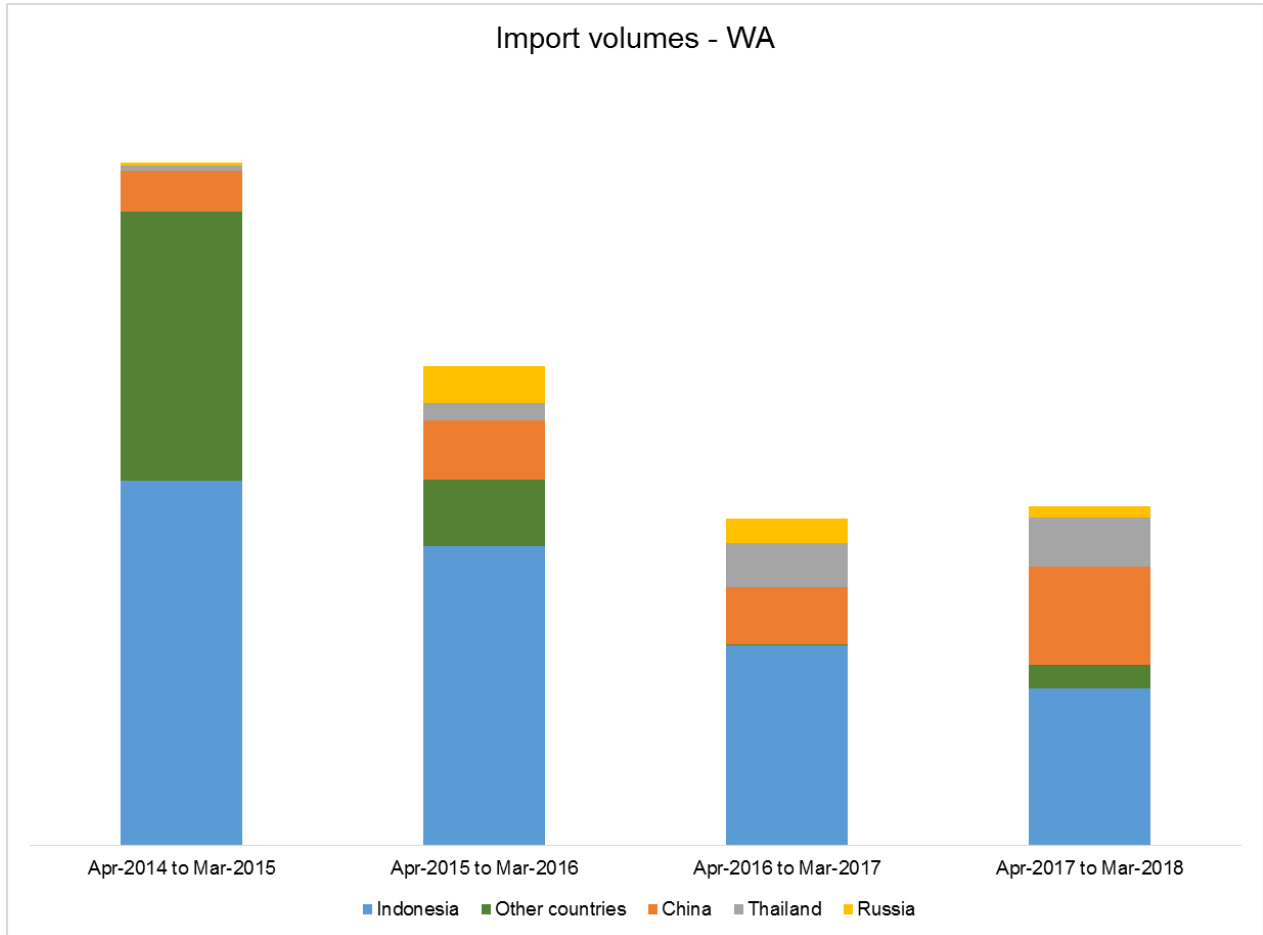


Figure 1: Imports of ammonium nitrate into WA (tonnes)²⁰

During the investigation period, imports from Indonesia comprised 46 per cent of the total import volumes into WA, followed by imports from China (29 per cent) and Thailand (15 per cent). Imports from Russia comprised 3 per cent of the total import volumes into WA. Imports from other countries comprised 7 per cent of the total import volume into WA, with imports from Egypt comprising 98 per cent of the total import volume from other countries.

CSBP indicated that it does not consider imports from Indonesia to be injurious, given that these goods are imported by the Australian industry and is not available to other entities. The verification team observes that CSBP excluded imports from Indonesia in its consideration of IPP (discussed in section 8.1.1 of this report). Once the import volumes from Indonesia are excluded, the IPP mostly reflects import prices from China and Thailand, which comprise approximately 81 per cent of the total import volume (other than import volumes from Indonesia) into WA.

The verification team’s analysis of import volumes is at **Confidential Attachment 9**.

²⁰ Graphed using data from the Australian Border Force (ABF) customs import database using the entered for home consumption date.

PUBLIC RECORD

The verification team also reviewed the trade data CSBP has regard to relevant to import prices and volumes (refer **Confidential Attachment 7** and **Confidential Attachment 10**) and observes that this reconciles with the volumes and prices as recorded in table 1 and table 2 of CSBP's submission dated 17 September 2018.²¹

²¹ Refer [item no. 016](#) on ERP 473.

9 UNSUPPRESSED SELLING PRICE

The Commission generally derives the non-injurious price (NIP) by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the unsuppressed selling price (USP). The USP is generally established using one of the following methods, in order of preference:

- having regard to the Australian industry's selling prices at a time when the Australian market was unaffected by dumping; or
- having regard to the Australian industry's CTMS, plus a reasonable rate of profit; or
- having regard to the selling prices of un-dumped imports in the Australian market.

Having calculated the USP, the Commission then calculates the NIP by deducting costs incurred in getting the goods to the FOB point at export (or another point if appropriate). The deductions normally include overseas freight, duty, insurance, into store costs and amounts for other importer expenses and profit.

The verification team invited CSBP to make a submission on its view on the most appropriate method to derive an USP. CSBP had made a submission to the Commission outlining its views on the most appropriate method.²²

²² Refer [item no. 035](#) on EPR 473.

10 ATTACHMENTS

Confidential Attachment 1	Verification work program – sales and costs
Confidential Attachment 2	CSBP's updated sales listing ('Appendix A4')
Confidential Attachment 3	Economic condition - CSBP
Confidential Attachment 4	Analysis of CSBP's production and sales volumes
Confidential Attachment 5	Ammonia prices – 2007 to 2018
Confidential Attachment 6	Information provided by CSBP in relation to contract negotiations
Confidential Attachment 7	Assessment of CSBP's claims in relation to contract negotiations
Confidential Attachment 8	CSBP's price offers and IPP
Confidential Attachment 9	Import volumes – Western Australia
Confidential Attachment 10	Ammonium nitrate import and export statistics referred to by CSBP